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Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 CIAE-00 PM-09 INR-10 L-03 NEA-10

NSAE-00 PA-03 RSC-01 PRS-01 GAC-01 USIA-12 TRSE-00

MBFR-03 SAJ-01 SS-14 NSC-10 EB-11 COME-00 TAR-02

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FM USMISSION NATO
TO SECSTATE WASHDC 9591
SECDEF WASHDC
INFO JCS WASHDC
USCINCEUR
AMEMBASSY PARIS
NATO SUPPORT ELEMENT (US) NSSG BRUSSELS

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 1627

E. O. 11652: GDS, 31 DEC 79
TAGS: NATO FR ETRN ENRG P/ M
SUBJECT: REPORT OF 28-30 MARCH MEETING OF CENTRAL EUROPE PIPELINE
POLICY COMMITTEE (CEPPC)

DEFENSE FOR OASD/ I& L, MR. R. MATHEWS; JCS FOR J-4/ PETROLEUM;
USCINCEUR FOR J-4/ JPO; NSE/ NSSG FOR MR. MINER

REFS: A. USNATO 1475; B. STATE 056221

BEGIN SUMMARY: SHARP BUT REASONABLE DEBATE RESULTED IN CONTINUED STANDOFF BETWEEN FRENCH AND US OVER INCREASES IN NON- MILITARY TARIFFS WITH OTHER NATIONS TAKING PASSIVE ROLE. WHILE NEITHER US NOR FRANCE GAVE GROUND ON TARIFF RATES, FRENCH SHOWED SOME INCLINATION TO REVISE PROPOSED TERMS OF LEHAVRE- VALENCIENNES CONTRACT AND A WILLINGNESS TO EXPLORE AVENUES WHICH COULD MEAN END RESULT OF LIGHTER US BURDEN IN CEPS. FURTHER DISCUSSIONS BETWEEN US AND FRENCH COMMITTEE REPRESENTATIVES (IN PRESENCE OF GENERAL MANAGER, CEOA) WERE SCHEDULED FOR 12 APRIL, WITH SOME PROGRESSIVE MOVEMENT EXPECTED BY DATE OF NEXT CEPPC MEETING, 26-27 APRIL.
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COMMITTEE APPROVED AN EXTENSION OF CURRENT LAVERA- STRASBOURG CONTRACT (AC/120- D/680; NOT AC/120- D/783) TO 31 AUGUST 73

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TO PERMIT NORMAL PERIODIC 4- MONTHS' PUMPING PLANS TO BE AGREED. US HELD AGREEMENT TO 30 JUNE (PER REFTELS) BUT AGREED TO REQUEST AUTHORITY TO JOIN IN ACCEPTANCE OF 31 AUGUST DATE. ACTION REQUESTED: AUTHORITY TO AGREE TO EXTEND D/680 TO 31 AUG 73 TO AVOID HIATUS IN PUMPING ACTIVITY AND RESULTING LOSS OF REVENUE, AND TO IMPROVE ATMOSPHERE FOR NEGOTIATION. (END SUMMARY)

COMMENTS ON AGENDA ITEMS FOLLOW.

I. APPROVAL OF AGENDA.
RESTRICTED SESSION, ADDED TO AGENDA, AT WHICH CEPPC AGREED TO EXTEND APPOINTMENT OF CEOA GENERAL MANAGER (ROBERTUS) UNTIL 28 FEB 1975. (US AGREEMENT BASED ON STATE 863.)

II. APPROVAL OF SUMMARY RECORDS
AC/120- R/187 AND R/189 WERE APPROVED WITH MINOR CHANGES; R/190 DEFERRED TO NEXT MEETING.

III. 1973 BUDGETS FOR CEPS
A. NETHERLANDS
(1) COMMITTEE DEFERRED ACTION ON REPAIR OF TANK ROOFS AT KLAPHEK DEPOT PENDING FINAL ACTION BY CEPO.
(2) FUNDS WERE UNBLOCKED FOR PURCHASE OF REPLACEMENT VEHICLES AUTHORIZED IN 73 BUDGET ON RECEIPT OF NETHERLANDS' REPORT THAT REPLACEMENT WAS NECESSARY AND KILOMETRIC STANDARDS HAD BEEN EXCEEDED.
B. GERMAN DIVISIONS.
(1) CONTROL BUILDING AT IDAR OBERSTEIN. COMMITTEE APPROVED CONSTRUCTION AT COST OF NOT- MORE- THAN DM 570,000 ON DETERMINATION INFRASTRUCTURE FUNDING WAS NOT POSSIBLE. SAVINGS IN PERSONNEL RESULTING FROM THIS CENTRALIZED REMOTE CONTROL FACILITY WILL APPROXIMATE 35 SPACES IN 1974 AND, IN PERSONNEL FUNDS, DM 600,000 FOR 1974 AND DM 900,000 FOR 1975 AND BEYOND.
(2) FLEXIBLE OIL BARRIER. ITEM DEFERRED PENDING FURTHER DISCUSSIONS BETWEEN CEOA AND GERMANY.

IV. ESTIMATED FINANCIAL SITUATION OF THE CEPS FOR 1973
GENERAL MANAGER, CEOA, REPORTED THAT 1972 FINAL SHORTFALL HAD BEEN REDUCED IN FINAL ACCOUNTING TO FF 27.6 MILLION FROM THE EXPECTED FF 31.8 MILLION DUE TO CERTAIN INCREASES IN REVENUES
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AND CONTROLS ON END OF YEAR EXPENSES. WHILE CURRENT YEAR EXPENSES AND REVENUES ARE PROJECTED TO RESULT IN A FF 32.2 MILLION SHORTFALL, ADDITIONAL NON- MILITARY TRAFFIC IS EXPECTED TO ADD REVENUES AND RESULT IN A SHORTFALL NEAR THE FF 25 MILLION WHICH GENERAL MANAGER IS PLEDGED TO ATTAIN. US REPRESENTATIVE TOOK OPPORTUNITY TO EXPRESS SERIOUSNESS OF PLEDGE TAKEN AND TO URGE HOST COUNTRIES TO HOLD EXPENSES TO MINIMUM. GENERAL MANAGER WAS ASKED TO MAKE NECESSARY RECOMMENDATIONS TO COMMITTEE AT NEXT MEETING FOR ACTIONS NEEDED TO ENSURE FF 25 MILLION SHORTFALL IS

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NOT EXCEEDED.

V. SERVICES RENDERED TO THIRD PARTIES
COMMITTEE HEARD STATEMENT BY REPRESENTATIVE OF NATO BOARD OF AUDITORS, THEN NOTED AND APPROVED AC/120- D/750.

VI. TAXES AND CUSTOMS DUTIES BORNE BY THE CEPS
MONSIEUR DUPONT, BELGIUM, RAPPORTEUR, REPORTED ON PRELIMINARY WORK DONE AND COMMENTS RECEIVED FROM BELGIUM, FRANCE, NETHERLANDS AND FRG ON CEOA STUDY. HE STATED HE IS NOW PREPARED TO VISIT CEOA AND THEN ORGANIZE A SMALL WORKING GROUP IN HOPES OF HAVING A FULL REPORT READY FOR CEPPC CONSIDERATION IN SEPTEMBER.

VII. STOCKS NOT BELONGING TO THE CEPS
COMMITTEE APPROVED AC/120- D/753.

VIII. COMPARISON BETWEEN CIVIL AND MILITARY TARIFFS
AFTER CONSIDERABLE DEBATE BECAUSE OF DIFFERING INTERPRETATIONS OF INFORMATION IN AC/120- D/793, COMMITTEE AGREED TO HAVE CEOA REVISE OR AMEND FOR GREATER CLARITY. IN PARTICULAR, FRENCH NON-MILITARY TARIFFS ARE TO BE PORTRAYED EXCLUSIVE OF PROFIT TAX (TEN PERCENT) IN GRAPH AT ANNEX TO THE DOCUMENT. US MEMBER (RANTZ) TOOK OCCASION TO POINT OUT THE PRESENT DISPARITY IN CERTAIN NON-MILITARY RATES -- ESPECIALLY IN FRANCE IF PROFIT TAXES ARE EXCLUDED, AND TO NOTE THAT SUCH RATES COULD NOT BE ACCEPTED FOR THE FUTURE. ACCORDINGLY, US WAS NOT PREPARED TO APPROVE CONTRACT EXTENSION REQUESTED FOR LAVERA- STRASBOURG (AC/120- D/783 OR AC/120- D/788). FURTHER DISCUSSION OF THESE CONTRACTS DEVELOPED UNDER AGENDA ITEM IX.

IX. NON- NATO MOVEMENTS

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USCINCEUR
AMEMBASSY PARIS
NATO SUPPORT ELEMENT (US) NSSG BRUSSELS

C O N F I D E N T I A L SECTION 2 OF 2 USNATO 1627

A. LAVERA- STRASBOURG. COMMITTEE CONTINUED DISCUSSION OF A PROPOSED ONE- YEAR EXTENSION OF CONTRACT AT PRESENT RATES, AS SPECIFIED IN AC/120- D/783. GENERAL MANAGER, CEOA, TOOK PAINS TO NOTE EXTREME IMPORTANCE OF NON- MILITARY REVENUES FROM THIS LINE AND ASSERTED THAT AT PRESENT TIME, TOTAL REVENUES AND EXPENSES IN FRANCE ARE NEARLY IN BALANCE (DEFICIT OF FF 3.2 MILLION IN 1973 AND EXPECTED EQUALITY IN 1974-75). FRENCH REPRESENTATIVE NOTED THAT A 10.5 PERCENT INCREASE IN RATE HAD BEEN GRANTED IN NOVEMBER 72 AND HIS AUTHORITIES HAD RECONSIDERED BUT HAD BEEN UNABLE TO GRANT ANOTHER RATE INCREASE AT " THIS EARLY DATE". HE DREW ATTENTION, HOWEVER, TO MAJOR EXPENDITURES OF THE OIL COMPANIES USING THE LINE IN VICINITY OF STRASBOURG (85,000 CUBIC METERS OF NEW STORAGE AND A 7.5 KM TEN- INCH PIPELINE CONNECTION) DESIGNED TO PERMIT MOVEMENT OF LARGER QUANTITIES TO EVEN OUT CURRENT PEAKS AND VALLEYS IN PUMPING OPERATIONS RESULTING IN GREATER ANNUAL THROUGHPUT AND REVENUES. US REPRESENTATIVE REQUESTED THAT THESE COSTS AND RESULTING REVENUES DESCRIBED BE DEFINED AND REPORTED FOR COMMITTEE CONSIDERATION. HE FURTHER NOTED KEEN DISAPPOINTMENT AT FAILURE TO OFFER A RATE INCREASE OR TO ACT
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TO ELIMINATE PROFIT TAX ON AN OPERATION (THE CEPS) " WHERE THERE IS NO PROFIT -- ONLY A SHORTFALL TO BE MET BY CONTRIBUTIONS". THE US REPRESENTATIVE DREW PARTICULAR ATTENTION TO THE LEVEL OF US CONTRIBUTIONS AT 36.07 PERCENT OF THE DEFICIT OVER THE YEARS; AND TO THE FACT THAT CONTINUED LOW NON- MILITARY TARIFFS AND " PROFIT" TAXES RESULTED IN A SUBSIDY TO FRENCH INDUSTRY AND GOF WHICH ADDED TO THE ALREADY HEAVY BURDEN BORNE BY FRANCE' S ALLIES. HE STATED THAT, ACCORDINGLY, THE US WAS NOT PREPARED TO APPROVE THE REQUESTED ONE- YEAR EXTENSION (D/783). THE FRENCH REPRESENTATIVE CITED THE URGENCY OF APPROVAL IN ORDER TO CONTINUE PIPELINE OPERATIONS AND ALL OTHER NATIONAL REPRESENTATIVES URGED AGREEMENT TO EXTENSION. WHEN MEETING RESUMED ON 30 MARCH (AFTER EVENING DISCUSSIONS OUT OF COMMITTEE), THE FRENCH AND US MEMBERS AGREED TO MEET BILATERALLY TO WORK OUT POSSIBLE SOLUTIONS TO THE PRESENT IMPASSE. THE COMMITTEE THEN RECORDED THE FOLLOWING DECISION:
QUOTE. " THE COMMITTEE:
(1) CONTINUED DISCUSSION ON THE EXTENSION OF THE CONTRACT TO 31 DEC 1973 AS PROPOSED IN DOCUMENT AC/120- D/783;
(2) BEING UNABLE TO REACH FULL AGREEMENT ON THE FINANCIAL ASPECTS, BUT RECOGNIZING THE PRACTICAL NEED TO ARRANGE PUMPING PROGRAMS IN ADVANCE, AGREED TO AN EXTENSION UNTIL 31 AUGUST 73, SUBJECT TO A US RESERVATION AND ON THE UNDERSTANDING THAT THE WHOLE SUBJECT, INCLUDING FURTHER MODERNIZATION, WOULD BE FULLY EXAMINED AT THE NEXT MEETING;

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(3) NOTED THAT THE US REPRESENTATIVE COULD AGREE TO AN EXTENSION TO 30 JUNE 73 AND WOULD SEEK URGENT APPROVAL FROM HIS AUTHORITIES FOR THE 31 AUGUST DATE". UNQUOTE.

B. LE HAVRE- VALENCIENNES. THE GENERAL MANAGER, CEOA REPORTED THAT THE TERMS OF THE ORIGINAL CONTRACT WOULD NOT BE FULFILLED WITHIN THE FIVE- YEAR PERIOD SPECIFIED BUT NOTED THAT THE RESULTS HAD BEEN SATISFACTORY IN MOST RESPECTS. HE ALSO REPORTED AN INCREASE OF TWENTY FRENCH CENTIMES PER CUBIC METER UNDER THE PRESENT CONTRACT EFFECTIVE 1 APRIL (ABOUT 6 PERCENT). THIS, HE NOTED IS THE SECOND INCREASE GRANTED IN THE PAST 18 MONTHS. THE US MEMBER STRESSED THAT HE WAS NOT PREPARED TO AGREE TO AN EXTENSION OF THIS CONTRACT ON THE TERMS OFFERED, ESPECIALLY SO BECAUSE THE ORIGINAL CONTRACT WAS NOT TO BE FULFILLED IN ALL RESPECTS, TARIFF INCREASES HAD BEEN LATE IN COMING AND THE TOTAL MOVEMENTS WERE BEHIND SCHEDULE. THE FRENCH REP- RESENTATIVE STATED THAT, ON THE STRENGTH OF THE EARLIER AGREEMENT IN PRINCIPLE GIVEN BY THE COMMITTEES, HIS AUTHORITIES HAD SIGNED A CONTRACT WITH THE OIL COMPANY, ANTAR, IN OCTOBER OR NOVEMBER

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1972. THIS ADMISSION SET OFF A SERIES OF STATEMENTS BY MEMBERS CALLING FOR A RECTIFICATION. AFTER DISCUSSION, A PROPOSAL WAS MADE TO RESOLVE THE MATTER IN THREE STAGES: FIRST, A FINAL SETTLEMENT OF THE CURRENT FIVE- YEAR CONTRACT; SECOND, A SHORT INTERIM CONTRACT TO AVOID LEGAL DIFFICULTIES WITH THE OIL COMPANY AND SATISFY THEIR " GOOD FAITH" INVESTMENTS; AND, THIRD, DEVELOPMENT OF A TOTALLY NEW CONTRACT NEGOTIATED IN THE BEST INTEREST OF THE CEPS WITHOUT DURESS. THE FRENCH REP AGREED TO TO REVISE D/788 TO TAKE ACCOUNT OF THE DISCUSSION AND TO PROVIDE FURTHER VIEWS AT THE APRIL MEETING OF THE COMMITTEE. FURTHER DISCUSSION WAS DEFERRED TO NEXT MEETING.

COMMENT. MEETING MADE CLEAR ADAMANT POSITION OF FRENCH ON INCREASING NON- MILITARY TARIFFS AND EQUALLY STRONG VIEWS OF US THAT THE RESULTS OF THESE LOW RATES, IN CONTRIBUTIONS TO THE CEPS DEFICIT, WERE NOT ACCEPTABLE. DISCUSSIONS OUT OF COMMITTEE WITH FRENCH REP (GENTILHOMME) INDICATED DESIRE TO SATISFY LEGITIMATE US AIM TO LIGHTEN BURDEN BY METHODS WHICH WOULD NOT INVOLVE CHALLENGE TO FRENCH " SOVEREIGNTY". HE SUGGESTED PRIVATE US- FRENCH MEETING WITH CEOA HQ PERSONNEL TO DISCUSS REASONS FOR FRENCH POSITION ON TAXES AND NON- MILITARY TARIFFS. SINCE FRENCH HAVE PREVIOUSLY BEEN ADAMANT IN REFUSING TO DISCUSS THESE SUBJECTS, THEY MUST NOW CONSIDER THE JUSTIFICATION TO BE IRREFUTABLE. GENTILHOMME DID, HOWEVER, SUGGEST THAT US BURDEN MIGHT BEST BE LIGHTENED BY REDUCTION OR ELIMINATION OF US PAYMENT TOWARD DEFICIT, THUS ELIMINATING PERENNIAL TROUBLESOME US INTERVENTIONS AT TIME OF CONTRACT RENEWALS. (END COMMENT).

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